

1 **DIRECT TESTIMONY OF**

2 **ALLEN W. ROOKS**

3 **ON BEHALF OF**

4 **SOUTH CAROLINA ELECTRIC & GAS COMPANY**

5 **DOCKET NO. 2009-2-E**

6

7 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
8 **CURRENT POSITION.**

9 A. My name is Allen W. Rooks. My business address is 1426 Main Street,
10 Columbia, South Carolina. I am Supervisor of Electric Pricing and Rate
11 Administration at SCANA Services, Inc.

12 **Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS**
13 **EXPERIENCE.**

14 A. I graduated from the University of South Carolina in May 1995 with a
15 Bachelor of Science Degree in Business Administration with a major in
16 Management Science. In May 2002, I completed a Master of Business
17 Administration Degree at U.S.C. Since joining SCANA Corporation on a full-
18 time basis in July, 1996, I have held analytical positions within the Rates &
19 Regulatory and Financial Planning Departments. I have participated in cost of
20 service studies, rate development and design, financial planning and budgeting,
21 rate surveys, responses to regulatory information requests, and rate evaluation

1 programs primarily for the Company's electric operations. I assumed my
2 present position in July of 2007.

3 **Q. PLEASE BRIEFLY SUMMARIZE YOUR DUTIES WITH SOUTH**
4 **CAROLINA ELECTRIC & GAS COMPANY ("SCE&G" OR**
5 **"COMPANY").**

6 A. I am responsible for designing and administering the Company's
7 electric rates and tariffs to comply with regulatory orders and relevant state
8 statutes. Calculation of the Electric Adjustment for Fuel and Variable
9 Environmental Cost is an essential part of my responsibilities.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. The purpose of my testimony is to provide:

- 13 • Actual base and environmental fuel cost data for the period February 1,
14 2008 through December 31, 2008;
- 15 • The base and environmental fuel cost recovery balances as of December 31,
16 2008;
- 17 • Projected base and environmental fuel costs per kilowatt-hour (KWH) for
18 the period January 1, 2009 through April 30, 2010;
- 19 • The results of employing a base fuel component rate that would recover all
20 base fuel costs in one year;

- 1 • The Company’s proposed overall fuel cost factors (also referred to as the
2 “Total Fuel Rate” or “Total Fuel Cost Factor”) for the twelve-month period
3 ending April 2010 and the corresponding impact on residential customers.

4 **Q. WHAT ARE THE COMPANY’S CURRENTLY APPROVED FUEL**
5 **COST FACTORS?**

6 A. In Order No. 2008-323 dated April 30, 2008, the Commission approved
7 a Base Fuel Component (F_C) of 2.641 cents per KWH for all retail customer
8 classes. The same Order also approved Environmental Fuel Components (F_{EC})
9 of 0.101 cents per KWH for the Residential rate class, 0.087 cents per KWH
10 for the Small General Service rate class, 0.075 cents per KWH for the Medium
11 General Service rate class, and 0.044 cents per KWH for the Large General
12 Service rate class.

13 Commission Order No. 2008-742 dated October 30, 2008 increased the
14 Base Fuel Component (F_C) of the Company’s rates to 3.291 cents per KWH for
15 all retail customer classes. The Environmental Fuel Component (F_{EC}) was not
16 changed by this Order.

17 The combined effect of these two Orders results in the following Total
18 Fuel Cost Factors for SCE&G retail customer classes at this time: 3.392 cents
19 per KWH for Residential, 3.378 cents per KWH for Small General Service,
20 3.366 cents per KWH for Medium General Service, 3.335 cents per KWH for
21 Large General Service, and 3.291 cents per KWH for the Lighting class.

1 **Q. PLEASE BRIEFLY EXPLAIN THE DIFFERENCE BETWEEN THE**
2 **BASE FUEL COST COMPONENT (F_C) AND THE ENVIRONMENTAL**
3 **FUEL COST COMPONENT (F_{EC}).**

4 A. In 2007, the General Assembly approved certain amendments to the
5 Fuel Cost Recovery Statute (codified at S.C. Code Ann. § 58-27-865) which
6 bifurcated the recovery of fuel cost into two separate components. I refer to
7 traditional fuel costs, such as the cost of coal, gas, oil, and nuclear fuel, fuel
8 transportation, and fuel costs related to purchased power as “Base Fuel Costs”
9 or the “Base Fuel Component (F_C)”. The “Environmental Fuel Component
10 (F_{EC})” represents the second category of costs which includes such items as
11 ammonia, lime, limestone, urea, dibasic acid, and emission allowances for
12 SO₂, NO_x, mercury, and particulates.

13 **Q. PLEASE PROVIDE A SUMMARY OF THE COMPANY’S ACTUAL**
14 **AND PROJECTED BASE FUEL COMPONENT COSTS.**

15 A. Page 1 of Exhibit No. ____ (AWR-1) shows the actual totals for the Base
16 Fuel Cost Components and over/under recovery of fuel revenue experienced by
17 the Company for the months of February 2008 through December 2008, as
18 well as projections for January through April of 2009. This Exhibit shows the
19 actual base fuel under-collected balance to be \$130,584,338 at December 31,
20 2008 and the projected under-collected balance to be \$111,852,847 at the end
21 of April 2009. These under-collected balances have been adjusted to reflect

1 the Unbilled Fuel Cost Recovery Adjustment discussed in witness Coffey's
2 pre-filed direct testimony.

3 Page 2 of Exhibit No. ____ (AWR-1) shows the Company's Base Fuel
4 Component forecast and projected recovery calculations by month for May
5 2009 through April 2010. This page reflects the monthly and cumulative over
6 and under projected fuel cost collection expected by the Company using the
7 Base Fuel Component that is calculated in Exhibit No. ____ (AWR-2). This
8 Base Fuel Component of 3.947 cents per kilowatt-hour would recover all base
9 fuel costs in the forecast period in addition to eliminating the projected under-
10 collected balance at the end of April 2009.

11 **Q. PLEASE SUMMARIZE THE COMPANY'S ACTUAL AND**
12 **PROJECTED ENVIRONMENTAL FUEL COMPONENT COSTS.**

13 A. Exhibit No. ____ (AWR-3) shows the Company's actual environmental
14 fuel costs, the allocation of those costs to retail customer classes, the
15 environmental fuel-related revenue recovered by class, and the corresponding
16 over/under recovery by month and on a cumulative basis for the months of
17 February 2008 through December 2008. It also details projections for this
18 same information during the months of January 2009 through April 2009. The
19 cumulative over-collected balances projected at April 30, 2009 are \$114,369
20 for the Residential rate class, \$103,961 for the Small General Service rate
21 class, and \$113,116 for the Medium General Service rate class. The Large
22 General Service rate class is projected to have an under-collected balance of

1 \$43,418 at April 30th of this year. As with Base Fuel Costs, these over/under-
2 collected balances have been adjusted to reflect the Unbilled Fuel Cost
3 Recovery Adjustment discussed in witness Coffey's pre-filed direct testimony.

4 Exhibit No. ____ (AWR-4) shows the Company's forecasted
5 Environmental Fuel Costs and the allocation of those costs to retail customer
6 classes for the period of May 2009 through April 2010. This exhibit also
7 details forecasted sales data by class and calculates the projected
8 Environmental Fuel Cost Factors per KWH for the same period. The (F_{EC})
9 factors produced by these calculations would be 0.135 cents per KWH for the
10 Residential rate class, 0.113 cents per KWH for the Small General Service rate
11 class, 0.095 cents per KWH for the Medium General Service rate class, and
12 0.064 cents per KWH for the Large General Service rate class.

13 **Q. PLEASE DISCUSS THE DEMAND ALLOCATIONS USED TO**
14 **ALLOCATE ENVIRONMENTAL FUEL COST PRESENTED ON**
15 **EXHIBIT NO. ____ (AWR-5).**

16 A. To allocate Environmental Fuel Costs to customer classes, the Company
17 uses the same four-hour-band Coincident Peak methodology that has been
18 approved by this Commission since 1982. It is also the same methodology that
19 the Commission approved for the allocation of SCE&G's Environmental Fuel
20 Costs in Order No. 2008-323.

21 The Company's Summer 2007 peak, which was used to allocate
22 Environmental Fuel Costs during the actual period of February 2008 through

1 December 2008, occurred on August 10, 2007. Also shown on Exhibit No.
2 ____ (AWR-5) is the Summer 2008 peak which occurred on August 6, 2008.
3 This peak demand data is adjusted twice during the forecast period: once to
4 reflect the expiration of SCE&G's contract with the City of Orangeburg, which
5 occurs at the end of April, 2009, and again at the end of December, 2009 for
6 the expiration of the Company's contract with the City of Greenwood.
7 Environmental Fuel Costs are allocated to customer classes appropriately in
8 Exhibit No. ____ (AWR-4) based on these adjustments.

9 **Q. BY WHAT PROCESS DO YOU DEVELOP THE**
10 **PROJECTED/FORECASTED FUEL COST DATA FOR SCE&G'S**
11 **RATES?**

12 A. As Mr. Lynch indicates in his testimony, we receive the output from the
13 PROSYM model from the Resource Planning Department which gives us the
14 estimated sales and estimated fuel usage required to meet these sales by fuel
15 type for each month during the forecast period. This data is loaded into
16 spreadsheets along with fuel ending inventories, forecasted fuel prices,
17 emission allowances and information regarding operations to determine
18 projected fuel costs for the months of January 2009 through April 2010.

1 **Q. HAVE YOU MADE ANY ADJUSTMENTS TO ACCOUNT FOR THE**
2 **UNBILLED FUEL COST RECOVERY ADJUSTMENT DISCUSSED IN**
3 **WITNESS COFFER'S PRE-FILED TESTIMONY? IF SO, EXPLAIN.**

4 A. Yes, I have made detailed adjustments for unbilled revenue as it relates
5 to fuel cost recovery. These adjustments are shown on line 29 of Exhibit No.
6 ____ (AWR-1), page 1; lines 14 and 30 of Exhibit No. ____ (AWR-1), page 2;
7 lines 29-33 of Exhibit No. ____ (AWR-3) (for December 2008 and forecast
8 period); lines 16-20 of Exhibit No. ____ (AWR-4); and lines 14 and 30 of
9 Exhibit No. ____ (AWR-6). These detailed adjustments are also summarized in
10 Section 3 of the Base Fuel Component calculations shown in Exhibits 2 and 7.

11 **Q. WHAT OVERALL FUEL FACTORS WOULD BE REQUIRED TO**
12 **ELIMINATE THE EXISTING UNDER-COLLECTED BALANCE**
13 **DURING THE NEXT TWELVE-MONTH PERIOD?**

14 A. The factors (for the period May 2009 through April 2010) produced by
15 the calculations shown on my Exhibits identified as AWR-1 through AWR-5
16 would be as follows:

Class	Base Fuel Cost Component (cents/KWH)	Environmental Fuel Cost Component (cents/KWH)	Total Fuel Cost Factor (cents/KWH)
Residential	3.947	0.135	4.082
Small General Service	3.947	0.113	4.060
Medium General Service	3.947	0.095	4.042
Large General Service	3.947	0.064	4.011
Lighting	3.947	--	3.947

17

1 **Q. DO THE FACTORS PRESENTED ABOVE REPRESENT YOUR FINAL**
2 **RECOMMENDATION TO THE COMMISSION?**

3 A. No, they do not. While the Environmental Fuel Cost Component by
4 Class shown above does represent the Company's recommendation, the Base
5 Fuel Cost Component by Class is not what we are proposing.

6 **Q. PLEASE EXPLAIN THE COMPANY'S RECOMMENDED**
7 **TREATMENT FOR THE BASE FUEL COMPONENT.**

8 A. The Fuel Cost Statute permits utilities to recover their "prudently
9 incurred fuel costs as precisely and promptly as possible." However, the
10 Company recognizes that the Total Fuel Cost Factors as shown above represent
11 a significant increase to customers. Given the current economic recession and
12 to minimize the rate impact of this Fuel proceeding, the Company hereby
13 proposes to collect the estimated base fuel under-collection balance of
14 \$111,852,847 at April 30, 2009 as shown in Exhibit No. ____ (AWR-1) over a
15 two-year period. In order to defer recovery of the approximately \$55,926,424
16 in base fuel costs until the next fuel proceeding, it will be necessary for the
17 Company to recover carrying costs on that portion of the balance that will be
18 deferred for collection until the second year beginning in May of 2010.

19 Exhibit No. ____ (AWR-6) shows the Company's Base Fuel Component
20 forecast and projected recovery calculations by month for May 2009 through
21 April 2010. This exhibit is similar to Page 2 of Exhibit No. ____ (AWR-1) with
22 the exception that it details recovery of only half of the projected April 30,

1 2009 base fuel under-collection and that it includes carrying costs for the
2 remaining un-collected portion of the same balance. Estimated carrying costs
3 are shown on lines 12 and 28 of the Exhibit. Exhibit No. ____ (AWR-7) shows
4 the calculation of the new revised Base Fuel Component of 3.707 cents per
5 KWH with SCE&G's proposed changes.

6 **Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED METHODOLOGY**
7 **FOR COMPUTING CARRYING COSTS.**

8 A. The Company proposes to calculate carrying costs on the average
9 monthly balance of any base fuel costs which are deferred for recovery
10 purposes for more than one year. This average would be calculated by adding
11 the beginning and ending balances and dividing by two for the month in
12 question. The carrying cost rate to be applied to this balance would be the rate
13 of interest as of the first day of each month during the recovery period for 10-
14 year U.S. Government Treasury Bills, as reported in the Wall Street Journal,
15 plus an all-in spread of 65 basis points (.65 percentage points). The total
16 carrying cost rate to include the 65 basis points would not exceed 6%. An
17 example of this computation using an interpolated 10-year Treasury Bill Rate
18 forecast is shown on Exhibit No. ____ (AWR-8).

19 The carrying charges produced by Exhibit No. ____ (AWR-8) are
20 projected to total \$2,172,740 over the twelve month period from May 2009
21 through April 2010 using the Company's methodology, but would change with

1 interest rate variability or if the under-collected balance declined more quickly
2 than forecasted.

3 **Q. IS THERE ANY PRECEDENT REGARDING THE DEFERRAL OF UN-**
4 **COLLECTED FUEL COST RECOVERY OVER MORE THAN ONE**
5 **YEAR WITH A CARRYING COST ALLOWANCE?**

6 **A.** Yes. The Commission has allowed similar treatment with respect to
7 fuel cost recovery with the approval of a settlement agreement in Order No.
8 2006-235(A).

9 **Q. WHAT TOTAL FUEL COST FACTORS BY CLASS IS THE**
10 **COMPANY RECOMMENDING IN THIS PROCEEDING?**

11 **A.** The Company's proposed fuel cost factors for the period May 2009
12 through April 2010 are summarized in Exhibit No. ____ (AWR-9) and shown in
13 the table below:

Class	Base Fuel Cost Component (cents/KWH)	Environmental Fuel Cost Component (cents/KWH)	Total Fuel Cost Factor (cents/KWH)
Residential	3.707	0.135	3.842
Small General Service	3.707	0.113	3.820
Medium General Service	3.707	0.095	3.802
Large General Service	3.707	0.064	3.771
Lighting	3.707	--	3.707

14

15 **Q. WHAT IMPACT WILL THE COMPANY'S PROPOSED INCREASE**
16 **HAVE ON A RESIDENTIAL CUSTOMER BILL?**

17 **A.** The fuel factor increase as proposed by the Company would increase the
18 average monthly bill for a residential customer using 1,000 KWH from

1 \$114.20 (based on rates effective with the first billing cycle of November,
2 2008) to \$118.72, or approximately 3.96%.

3 **Q. WHAT REQUESTS DOES THE COMPANY MAKE OF THE**
4 **COMMISSION IN THIS PROCEEDING?**

5 A. SCE&G respectfully requests that the Commission approve the tariff
6 sheet entitled Adjustment for Fuel and Variable Environmental Costs which is
7 submitted as Exhibit No. ____ (AWR-10), as well as the Base Fuel Component
8 (F_C), Environmental Component (F_{EC}) and Total Fuel Rate shown therein. The
9 Company also requests that these factors be effective for all customer classes
10 for bills rendered on and after the first billing cycle of May 2009 and
11 continuing through the billing month of April 2010.

12 Additionally, the Company respectfully requests that the Commission
13 issue an order finding that SCE&G's fuel purchasing practices, plant
14 operations, and fuel inventory management are reasonable and prudent.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.